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FINANCIAL SECTOR PROGRAM

ANNUAL WORKPLAN OCTOBER 2012 – MAY 2013

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FINANCIAL SECTOR PROGRAM

FINAL WORKPLAN OCTOBER 2012 – MAY 2012

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ACRONYMS

AIPSA	Association of Insolvency Practitioners of South Africa
BA	Banking Association
BDS	Business Development Services
BDSP	Business Development Services Provider
BEE	Black Economic Empowerment
BRP	Business Rescue Practitioners
BSO	Business Support Organization
CIPC	Companies and Intellectual Property Commission
DCA	Development Credit Authority
DOJ	Department of Justice
dti	Department of Trade and Industry
EDC	Enterprise Development Centre of ABSA bank
FI	Financial Intermediary
FSP	Financial Sector Program
Finfind	Finfind Pty (Ltd)
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investing Rating System
GSA	Government of South Africa
IBA	Institute of Business Advisors
ICSB	International Council for Small Business
IFC	International Finance Corporation
KM	Knowledge Management
KRA	Key Results Area
LOI	Letter of Intent
NBFI	Non-Bank Financial Institution
NBSC	National Small Business Chamber
NMBC	Nelson Mandela Bay Consortium
PIR	Project Intermediate Result
POF	Purchase Order Financing
RGA	Raizcorp Guiding Academy
RFF	Royal Fields Finance
SASDC	South Africa Supplier Diversity Council
SECO	Swiss State Secretariat for Economic Affairs
seda	Small Enterprise Development Agency
SOW	Scope of Work
SME	Small Medium Enterprise
USAID	United States Agency for International Development
USG	United States Government

EXECUTIVE SUMMARY

The Financial Sector Program (FSP) was designed to expand access to financial services and lower financing costs for small and medium enterprises¹ (SMEs) and thus improve the commercial viability of lending to historically disadvantaged SMEs in South Africa. FSP is working to promote improved SME credit assessment methodologies and financial products, increase the financial literacy of SMEs, improve the quality of financial business support services, and reform the legal and regulatory framework affecting the financial sector and business environment. The contract was awarded to the Chemonics consortium on May 22, 2008. This final annual work plan covers the period of October 1, 2011 through project close out as of May 21, 2012 and details planned activities to support the four project components – SME finance, SME bankability, business enabling environment and knowledge management. The focus throughout this final work plan is to build on FSP successes to ensure institutionalization, scalability and sustainability of initiatives and maximize results.

To ensure the greatest impact, FSP will continue its assistance to partner financial intermediaries² (FIs) to help diversify and expand their **SME finance** portfolios and build the capacity of lenders. All activities will focus on building the sustainability of program efforts ensuring that partner FIs are capacitated to continue expanding SME lending efforts after FSP closes its doors. During the first half of FSP, the larger FIs were reluctant to explore new, relatively riskier market segments, such as SMEs given the downturn of the financial sector. Since that time, though concerted efforts to make the business case for SME lending, build internal capacity for developing SME-focused credit products, and mitigate risks through the USAID Development Credit Authority (DCA) loan guarantee program, FSP has been able to forge strategic relationships with FIs with national footprints including Absa, Standard and Sasfin Banks. During this final implementation year, FSP will capitalize on these relationships. FSP will review Absa's bulk acquisition strategy and help them to continue to expand Purchase Order Finance (POF) products developed with FSP support as well as expand the utilization of its SME DCA guarantee. Since Standard Bank is poised to expand its FSP supported POF product, FSP will assist them to increase market outreach, promote POF products to SMEs and enhance the POF knowledge base of loan officers and senior credit management teams. Supporting the USAID mission objective to improve global energy efficiency, FSP has identified Sasfin Bank as the pilot candidate to design and test a SME Energy Efficiency (EE) finance strategy. FSP will work with Sasfin to implement and modify the strategy as needed as well as explore opportunities to introduce this lending methodology with other partner FIs. Smaller FI partners such as WIZZIT and non-bank financial intermediaries (NBFIs) supported under the Cadiz SME Debt Fund will receive FSP support as they expand their SME lending albeit, on a smaller scale. Finally, as part of its exit strategy, FSP will explore possibilities to leverage other program efforts (i.e. SEFA, IFC) to broaden program impact and sustainability.

FSP has effectively identified a diverse number of uses for and beneficiaries of the DCA program with an eye to provide credit enhancements to SME lenders. To date, USAID has signed five DCA guarantees with FSP partner FIs leveraging a possible \$ 241.9 million. *(Maximum Cumulative Disbursement per partner: Absa \$28.6m, Cadiz \$150m Spartan*

¹ For the purpose of this program, an SME is defined broadly as a business engaged in activities generating annual turnover between R200, 000 and R25,000,000. This definition was based on the Financial Sector Charter definition proposed and agreed to by the Banking Association and its member.

² Financial Intermediary is defined herein as any organization engaged in the provision of financial services, primarily credit, be it a bank, non-bank credit provider or a private financing fund.

\$23.3m, True Group \$20m and Blue Financial Services \$20m). The innovative use of the DCA to stimulate capital market investment via an asset management firm for NBFIs SME on-lending is expected to not only dramatically improve the overall market penetration of SME credit but also test a pilot approach which could be replicated globally. FSP will concentrate efforts to ensure maximum utilization of these facilities and remain cognizant of other DCA opportunities in the marketplace.

While the SME finance component addresses the supply side constraints of the FIs, another supports the demand side of finance by improving **SME bankability**. Banks and other FIs often complain about the financial literacy of SME clients and cite it as a significant hindrance to expanding their SME portfolios. FSP has gained high visibility as a thought leader in the promotion of appropriate, targeted business development services (BDS) and through extensive consultative discussions, led the development of an on-line tool for business development providers (BDSPs) to advise their SME clients as to the appropriate finance provider and product. In this final project year, FSP will transfer ownership rights of this tool **finfind**, to the competitively selected host now known as **finfind** Pty (Ltd). FSP will promote sustainability measures necessary to ensure **finfind** longevity. Activities include the development of a revised business plan, identification and formalization of strategic partnerships as well as efforts to increase **finfind's** visibility and usability for BDSPs, SMEs and FIs, including the development of a loyalty plan. FSP will continue to support Business Service Organization (BSO) partners Aurik and Raizcorp institutionalizing the principles that underpin high quality BDS and direct efforts to scale up SME bankability. Opportunities to pursue additional key relationship with the likes of SASDC, IBA and others will help to ensure program legacy.

An **enabling policy environment** that fosters cost effective delivery of financial services and well-functioning enterprises is essential for economic growth. FSP has actively supported public and private sector partners in the policy reform process to develop solutions to identified obstacles. All planned efforts have been successfully completed with only the promotion of a business rescue financing mechanism remaining. FSP will work with dti/CIPC to identify opportunities to support the Business Rescue provision detailed under the FSP supported Companies Act Regulations. Drawing from the FSP report on local and international experiences for business rescue finance, FSP will stimulate dialogue with CIPC as well as with possible funding organizations to discuss opportunities as well as introduce credit enhancement enticement to spur the development of this niche industry.

FSP's final component is a cross-cutting intervention to improve the **knowledge management** of SME finance opportunities, successful approaches to SME development, and tools for FIs and BDSPs to use in SME capacity building efforts. The FSP-led Financial Sector Blog (www.fsp.org.za/blog) formed a key conduit to share industry experiences and lessons learned. As its exit strategy, the blog will be migrated to the **finfind** website and be retained in its entirety. FSP will expand the blog by introducing new concepts that can be adopted by **finfind** after project closure if proven to be effective. Enhancements such as multi-media success stories and "Outside the Box", a quarterly think piece from industry leaders, will be tested. Additionally, FSP will initiate and organize various events, workshops and symposia and leverage those of partners to promote financial products developed by FSP, exchange SME development approaches and host a partner lead forum to showcase FSP successes and innovations.

SECTION I: INTRODUCTION TO THE FINANCIAL SECTOR PROGRAM

A. Contract Background

The Financial Sector Program (FSP) is a USAID/Southern Africa economic growth program awarded to Chemonics International on May 22, 2008 under the GSA Contract GS-23F-0127P and USAID Blanket Purchasing Agreement EEM-E-00-05-00006-00; provided for under USAID task order 674-M-00-08-00043-00. This award had a base period (30 months) with an option period (30 months), which was exercised on June 22, 2010. This project will conclude May 21, 2013. The total cost of the contract was originally \$14,297,997 however in 2009, a modification was finalized increasing the contract to \$14,497,997 to support an additional technical element.

FSP was designed to support the accomplishment of the U.S. Government's Economic Growth Objective in South Africa. This program was one of the main vehicles to promote vibrant growth of historically-disadvantaged small and medium enterprises (SMEs) and reduce unemployment and poverty — generating rapid, sustained and broad-based economic growth in South Africa.

Chemonics Consortium

Prime:

- Chemonics International Inc.

Subcontractors:

- Crimson Capital
- Khulisa Management Services
- Shorebank Advisory Services

FSP seeks to expand access to financial services and lower financing costs for small and medium enterprises³ (SMEs) through facilitating the improvement of SME credit assessment methodologies and financial products, increasing the financial literacy of SMEs to become more bankable, improving the quality of financial business support services, and reforming the legal and regulatory framework affecting the financial sector and business environment thereby improving the commercial viability of lending to historically disadvantaged SMEs in South Africa. The ultimate result is to mitigate market credit risk leading to increased SME access to a range of quality, affordable financial services.

This final work plan builds on established partnerships and successes seen in the first four years of the project targeting activities that promote institutionalization, scalability and sustainability of program activities and covers the period October 1, 2011 through program close out on May 21, 2013.

B. Operating Environment and Approach

South Africa is Africa's largest economy, with strong financial, legal, energy, communications, and manufacturing sectors, abundant natural resources, and a thriving tourism industry. Yet underneath South Africa's developed economy lies a "second economy," comprised mostly of poor, historically-disadvantaged communities. A legacy of Apartheid, this second economy can be seen in the townships and outskirts of South Africa's

³ For the purpose of this program, an SME is defined broadly as a business engaged in activities generating annual turnover between R200,000 and R25,000,000. This definition was based on the Financial Sector Charter definition proposed and agreed to by the Banking Association and its members.

cities and in rural areas where large numbers of the population live in informal housing with little to no access to electricity, transport, or modern water or sewage systems.

Acknowledging the role that SMEs can play as a catalyst to economic growth and wealth creation, the South African Government (SAG) has pledged to support the development of this sector. Initiatives range from the design of a broad black based economic empowerment program to address the restrictions that exist within the country for previously disadvantaged groups (black Africans, Coloureds and Indians) to a diverse set of national to municipal programs designed to create jobs and stimulate private ownership and entrepreneurial skills. The US aims to assist South Africa to achieve sustainable broad-based economic growth, as well as to strengthen regional economic linkages. In tandem with the SAG, USAID programs in South Africa, in part, support improving the business enabling environment for black-owned SMEs with an emphasis on increasing access to finance for SMEs. Supporting those Mission objectives, FSP will actively engage in activities which will help to integrate this second economy of BEE SME's into South Africa's larger economy.

FSP activities focus on improving and expanding financial services and products; managing and mitigating financial risk and transaction costs; improving bankability of SMEs and business services by linking financial services with business service activities that can build SME capacity, productivity and competitiveness, as well as improve the capacity of financial advisory services to serve SMEs; support an enabling environment for financial intermediation and risk management, and boosts the private sector's role and participation in the provision of financial services to SMEs; promote reforms to commercial laws, regulations, and administrative practices affecting the private sector and SME development; and, improve knowledge management through building an accessible repository of information and analysis about SMEs and finance in South Africa.

FSP's approach to sustainable development is to identify partners with which to design and implement market driven products and services responding to the needs of SMEs. Whether it be identifying a champion within the government to move forward SME focused policy initiatives or utilizing a credit enhancement to tip the risk scale of a weary SME lender, FSP's approach focuses on "facilitating rather than instigating" private sector approaches to increase access to finance for SMEs.

Over the previous four years of program implementation, FSP activities have reacted to market and partner challenges and gaps. The RMB/BER (Rand Merchant Bank/Bureau for Economic Research) Business Confidence Index⁴ measures the level of optimism that senior company executives have about current and expected developments regarding sales, orders, employment, inventories, selling prices etc. As shown in the chart below, business confidence plummeted during the first two years of program implementation. Recovery began in early 2010 yet remained erratic and reflected the high level of uncertainty and lack of confidence in business opportunities.

⁴ Questionnaires are sent to 1400 business people in the building sectors, 1400 in the trade sectors and 1000 in manufacturing. The response rate is about 50%. The BER measures business confidence on a scale of 0 to 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence.



During this tumultuous period, through concerted efforts the FSP team identified market leaders willing to explore the unproven SME credit and support services sector. In the last eight months of program implementation, FSP will capitalize on forged partnerships to ensure institutionalization, scalability and sustainability of initiatives and maximize results. FSP will also focus on relationships that will pave the way for the program's ongoing legacy. The latter will include exploring ways to work with/leverage the diverse government programs supporting SME development, maximizing support for partners with greatest impact possibilities and proving and documenting the development and lessons learned from pilot programs with an eye toward replication.

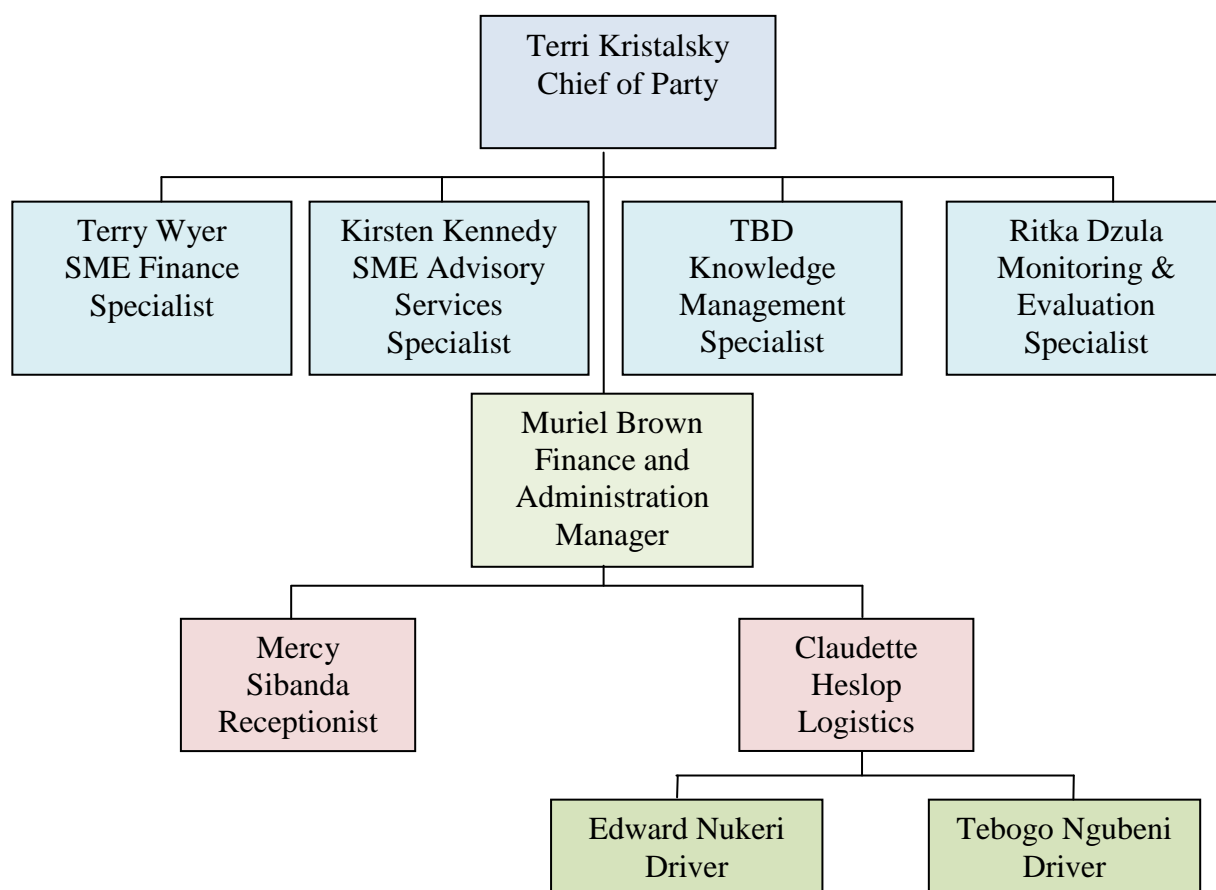
In that regard, FSP will conclude with its four-pronged approach to increase SME access to a range of quality, affordable financial services to facilitate business growth and catalyze increased employment and income. Specifically with an eye to:

- 1) Improve financial intermediaries' capacity to serve SMEs in South Africa
- 2) Improve the "bankability" of SMEs
- 3) Reform the legal and regulatory framework affecting the financial sector and business environment stimulating SME growth
- 4) Strengthen the SME finance knowledge management system.

C. FSP Program Team

Staff changes: Toward the end of Year 4, the Knowledge Management/Monitoring and Evaluation Specialist resigned. The management of the M&E component of the program will now be overseen by Ritka Dzula, a highly skilled analyst who is seconded from consortium member Khulisa Management Services. The search for a replacement for the KM position is ongoing. Additionally, as all but one policy activity has been successfully completed, Terry Wyer will oversee the implementation of the remaining policy activity given its complement to product development.

The full complement of the FSP team is shown below.

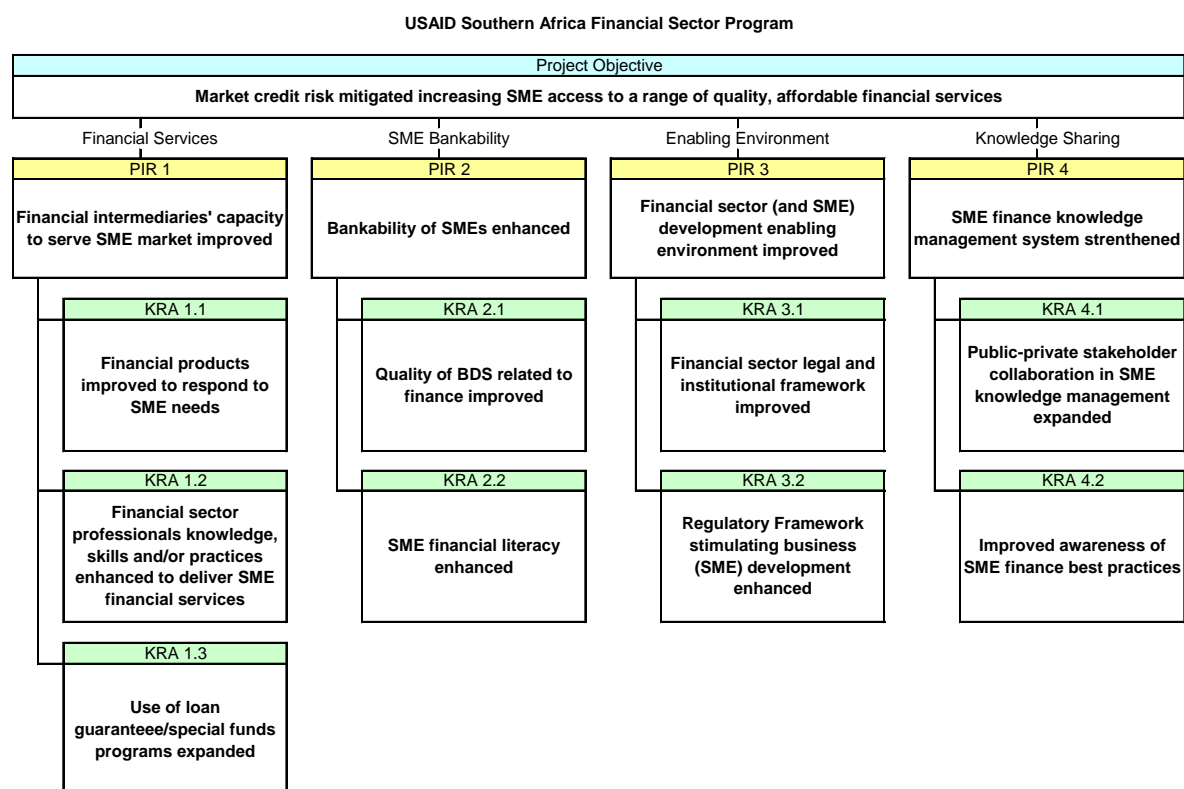


D. FSP Results Framework

FSP has been designed to support the achievement of the U.S. Government Economic Growth Objective in South Africa. This program contributes to the objective to help improve SME access to a range of quality, affordable financial services. Within the Economic Growth objective, FSP helps to mitigate market credit risk increasing SME access to a range of financial services (see Exhibit 2, Results Framework).

The results from each level of the framework support the achievement of the results on the level above – culminating in achieving the Mission Economic Growth objective of increased access to finance by SMEs. For each of the four Project Intermediate Results (PIRs), FSP has elaborated Key Result Areas (KRAs) that are representative of the overall strategies for achieving the intermediate results. These KRAs guide project staff in their activity planning and provide the basic structure for performance monitoring, evaluation and reporting. Each KRA has a technical leader, a set of activities, associated tasks, defined resources, and benchmarks for this interim work plan. These are detailed in the text in Section II and activity sheets and timelines in **Annex A**.

E. FSP Results Framework



SECTION II: WORKPLAN BY TECHNICAL COMPONENT

A. Project Intermediate Result (PIR) 1: Financial Intermediaries' Capacity to Serve SME Market Improved

Although there has been considerable progress made in small businesses accessing finance, there still is much to do to have the sector generating the job creation that the South African government hopes for. The good news is that the government remains focused on regulatory changes and creating the right set of incentives that will assist smaller businesses access finance and to grow the economy. The fact that SME lending has now become a focal point of many of the South African financial intermediaries (FIs) continues to be a good sign as well. Although the government and the financial sector are focused on increasing access to finance for small businesses, especially for the previously disadvantaged, it remains a challenge to attain targets and maintain the appropriate trajectory required to spur the level of economic growth and job creation that the government is looking for.

The challenges that the financial sector have in creating better access to finance for small businesses have not changed significantly since the inception of FSP in 2008. At that time, the financial sector was taking cover from the global financial crisis that had engulfed the international financial sector. Large banks in South Africa, like their global counterparts, shuttered their doors and rather than expanding lending looked for avenues to minimize risk. In response, FSP identified smaller, niche SME lenders to help design better delivery methodologies. As the affects of the crisis have dissipated over the last few years, large banks are expanding their business lending to the important SME business sector. However, despite looking to expand into highly relevant and important sectors such as energy, agriculture and trade, these banks are still very conservative in their underwriting of small business loans and are slow to take up new products and tools that would help to increase lending to the sector.

The FSP program takes a holistic approach to improve the capacity of FI's to meet SME credit needs namely by identifying and filling gaps with market responsive products and ensuring that FI partners possess the human capital resources to assess and deliver financial services. Given the general risk aversion of SME lenders, FSP seeks innovative opportunities to utilize credit enhancement systems to encourage penetration into this higher risk, but lucrative, business sector by leveraging the flexibility and adaptability to the USAID Development Credit Authority programs.

FSP has been working with both the large banks and the second tier banks in an effort to address the lack of access to finance for small businesses and will continue to look at the conventional FI's (as well as alternative delivery channels and sectors) to assist SME's to access affordable finance and thus grow their businesses and create jobs in the community.

FSP will work with partner banks to help their continued expansion and roll out of POF and other SME related products. FSP expects to see a considerable amount of POF lending by

PIR 1 Benchmarks

- 5 Consultative processes completed.
- 1 new financial product developed
- 5 management processes modified
- New value chain product introduced to 2 partner FIs
- 2250 new finance transactions completed
- 75 financial sector professionals trained
- 1 new DCA Action Package Designed
- 1000 SME's supported through loans with DCA coverage
- 5 NBFIs receive funding

both Absa and Standard Bank in the final program months with over 2250 new financial transactions taking place between the two institutions.

In addition to the larger banks, FSP has also been working with the several second tier banks (Wizzit, Sasfin and others), NBFIs (Spartan and True Group) and other financial sector players (Cadiz Asset Management, Futuregrowth, and Farmsecure) in the pursuit of increasing the flow of capital to the small business marketplace. As market conditions have continued to evolve, FSP has adapted to the environment and pursues innovative methods and partners to increase the access to capital for SMEs outside the mandate of the larger banks. Because of the slow progress in the major banks, FSP has modified its approach to also pursue alternative channels to increase access to finance and expects significant results in FY13. Product rollouts in sectors such as Energy Efficiency, the SME Debt Fund and continued progress with POF should show significant lending in terms of number of loans and volume of loans by FSP partner institutions.

With continuing efforts on sustainable lending products and tools and by looking to work with partners that can scale up the delivery of FSP developed products and services, the efforts of FSP will continue to show results long after the Financial Sector Program has ended and closed its doors.

Three Key Results Areas (KRAs) support PIR 1:

KRA 1.1 – Financial products improved to respond to SME needs

KRA 1.2 – Financial sector professionals' knowledge, skills and/or practices enhanced to deliver SME financial services

KRA 1.3 – Use of loan guarantees/special funds programs expanded

Each of these KRAs and its associated activities are detailed in the following pages.

Specific tasks and timings are indicated on the timelines that follow the text in **Annex A**.

KRA 1.1 Financial products improved to respond to SME needs

KRA Strategy:

South Africa financial institutions continue to apply a conservative approach to their risk assessment and product delivery. This approach is slowly changing as new and innovative

New EE Product Opportunities



Conditions for significant expansion in the energy efficiency marketplace in South Africa appear extremely favorable:

- The national government is providing leadership, incentives, and policies supportive of efficiency;
- The national utility, Eskom, has launched a robust Demand Side Management program that includes incentives and market support activities, such as measurement and verification protocols, contractor and ESCO certification, and direct marketing to consumers;
- The donor community is providing significant levels of capital, guarantees, and grant funding;
- There is growing interest among commercial banks in supporting energy efficiency lending.

FSP will work with partner FIs and other stakeholders to advance EE opportunities particularly with regard to energy efficiency finance.

products are introduced and FSP will continue to support the expansion of these products at partner institutions.

In the last year of the program, FSP will look to focus its efforts on the sustainability of the program initiatives and will concentrate on working with partners that have the greatest impact and ability to scale up product offerings to the SME marketplace. FSP will be advising partners on improving their current product offerings such as POF that can be expanded and utilized to increase exposure to the SME finance sector. FSP has been working with several larger financial institutions such as Standard Bank and Absa Bank to assist them with the introduction and expansion of purchase order finance. POF is a particularly good product for SMEs as the loan is based on the purchase order from a larger buyer and allows the small business to obtain financing based solely on this purchase order. This allows SMEs that are trying to expand their business and which in many cases don't meet the usual requirements of collateral and cash flow, to access credit. The strategy will be to primarily focus efforts on four particular partner institutions that FSP believes has the ability for maximum impact for FY13 and beyond.

FSP will also advise second tier partner institutions to help them improve SME product marketing strategies, promote alternative products such as energy efficiency, agricultural and Feed the Future initiatives and also continuing to improve and streamline credit risk policy and procedures that make lending to the small business community a profitable and sustainable business line.

Activities:

KRA 1.1.1 Increase Absa Bank utilization of FSP supported products. FSP has been working very closely with Absa Bank in areas such as POF roll out, promoting SME opportunities, DCA guarantee utilization, the agriculture sector and in energy efficiency.

Purchase Order Finance (POF)

Absa Bank has been particularly adept at utilizing FSP supported POF products and has funded over 5,000 transactions since the introduction of the invoice clearing and vendor finance products in 2010.

FSP has also introduced POF lending methodology to Standard Bank and have been working with them on the rollout of their POF pilot program in KZN for most of FY12. Standard is beginning to see positive results and has recently approved the expansion of the POF pilot to include Western Cape and Gauteng.

Going forward FSP plans further capacity building with both Absa and Standard to make sure the POF product is institutionalized and utilized to increase lending to SME's in need of non-traditional finance.

Absa has gone through several reorganizations over the past year due to their parent company, Barclays, playing a larger role. They have however, been able to develop the Bulk Acquisition Strategy as part of their efforts to increase SME lending. This strategy encompasses all products and methodologies in their value chain lending approach targeting large corporates to downstream credit to SMEs.


FSP will review and recommend modifications to this strategy as needed. Recommendations will be made to risk procedures, products, and processes that are utilized under the Bulk Acquisition strategy and FSP will use this opportunity to support their efforts to expand POF and other SME product lending in the market. The strategy review along with the on-going training efforts will result in Absa increasing their POF business portfolio significantly. FSP anticipates over the life of FSP, that Absa will exceed R2 billion in POF lending.

FSP will also continue to support Absa with its DCA guarantee loan portfolio expansion and utilization (See KRA 1.3 2). FSP has worked closely with Absa and external partners such as John Deere Finance and SA Brewery to solidify relationships to help Absa focus on small holder farmers being able to access capital to purchase equipment for their farms. FSP will continue to assist Absa to engage with partners to assist with further utilization of the DCA guarantee. Absa has also expressed an interest in working more broadly across the agricultural sector and would like to explore opportunities for mitigating the risk in the agricultural sector. FSP will work with the Absa management team to investigate methods to utilize the current DCA guarantee for small holder agricultural lending.

FSP has done a considerable amount of research and work in the energy efficiency space and will encourage Absa to introduce and expand EE into the current product offering that it has for SMEs. Absa has also recently signed on to a climate and energy initiative which is funded by the Groupe Agence Française de Développement (AFD) and has committed to funding up to 40 million euro to the sector. With this in mind, FSP will continue its hands-on approach with Absa to incorporate EE into their product suite helping them to move deeper into the EE sector.

KRA 1.1.2 Scale up Standard Banks

adoption of FSP supported products. Since 2010, Standard Bank has been working with FSP to design and roll out a POF pilot program, initially tested in KwaZulu-Natal. Support included product development, training of back office and front line sales staff and sales and marketing efforts directly with clients. The goal of the pilot program has been to allow Standard Bank managers to test the POF product to get a better understanding of how best to utilize POF with their SME clients and to expand their SME portfolio. Based on positive pilot results, the bank has recently approved the expansion of the pilot program to Western Cape and Gauteng provinces. The ultimate goal is to roll the product out nationwide by the start of 2013 and introducing a high volume of loans to the market.



Upcoming Standard Bank Purchase Order Finance (POF) Capacity Building

- Review customer value proposition as it relates to the pilot program.
- Recommend ways to expand customer acquisition to help facilitate pilot project objectives.
- Review the use of POF in various sectors/value chains such as agriculture and agribusiness, franchising, ICT, manufacturing, energy, etc.

FSP will support Standard Bank with their POF expansion and promote institutionalization of the product. FSP will help Standard Bank with several consultative marketing events with the SME client base to make sure the product meets SME needs and increase product visibility.

Standard has recently shown an interest in expanding their 'alternative' product offerings. As with Absa Bank above, FSP will continue its support and advice in energy efficiency product development through project close out.

KRA 1.1.3 Launch Energy Efficiency Strategy at Sasfin Bank. In response to the interest shown by South African financial institutions in becoming involved in energy efficiency finance, FSP commissioned an energy efficiency finance study that was completed in May

2012. The mapping study assessed the enabling environment for energy efficiency in South Africa. As a platform to disseminate this study, FSP organized a one-day workshop which was co-hosted by FSP, Industrial Development Cooperation (IDC) and the International Finance Corporation (IFC).

As a result of the workshop and the mapping study presentation, FSP began working with Sasfin Bank to support their interest in expanding their business line into energy efficient products. The efficiency market appears particularly well suited to Sasfin's current business model and focus given the dynamism and entrepreneurial nature of the firms in this emerging field.

FSP will continue its work with Sasfin Bank to complete the EE strategy design and will organize a working group session to present the final strategy to internal and external stakeholders. FSP will work with Sasfin to pilot and modify the EE strategy as needed. FSP will facilitate and implement consultative processes with a group of SME clients in which the benefits of the newly designed product will be presented and feedback will be solicited to inform product design. This occasion will also be used to promote the wide ranging benefits of becoming energy efficient and the products that can be utilized.

FSP will work closely with Sasfin, IQUAD (newly owned Sasfin subsidiary) and the IFC in the development of a Sasfin EE strategy. Sasfin, recently signed a loan agreement for \$10 million with the IFC to on lend into the energy and climate sector. IFC has also committed to providing a short term consultant to work with Sasfin for up to six months to help with the further implementation and scaling of the project. Although the pilot program has limited objectives (three EE loans to existing clients), FSP anticipates that with the FSP strategy and product design, Sasfin will have a

successful roll out and assist 100 small businesses become more energy efficient.

FSP will also investigate credit enhancement schemes to determine if the benefits for performance or portfolio risk mitigation would strengthen the offer that Sasfin is making in the market and help them to increase their lending activities in this important sector.

KRA 1.1.4 Refine, improve, and suggest changes to SME policy, procedures, products and approach with partner FIs. Many FSP partners are continuing their move into SME lending with newly developed strategies and products. FSP will work with these partners to replicate products introduced with other partners (i.e. EE, POF) to leverage project innovations.

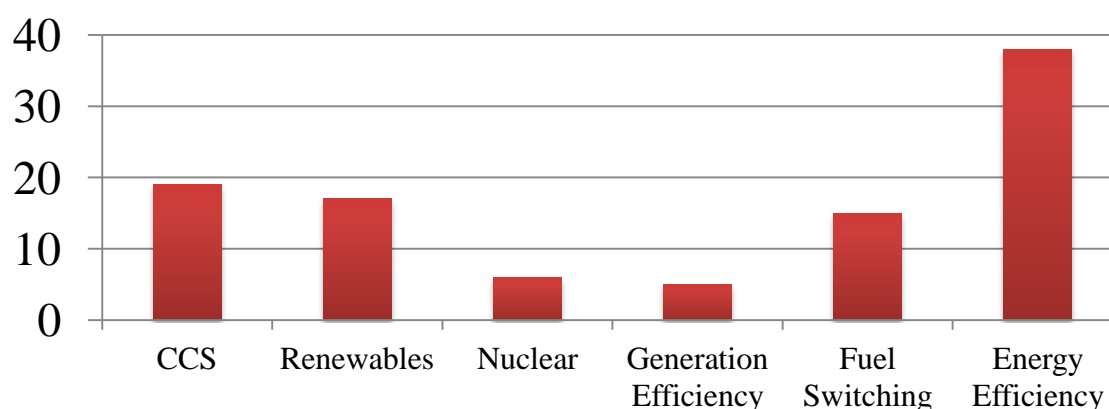


Sasfin Bank EE strategy work

1. Appoint an Energy Manager to coordinate cross-departmental efforts and lead the product development process (to be housed in the Business Solutions unit);
2. Research the EE marketplace to more strategically understand the technologies, players and models present;
3. Determine EE levels in existing rental portfolio and reach out to vendors focused on LED lighting, refrigeration, and building automation and lighting controls;
4. Examine ESCO marketplace, specifically targeting the "Next 10" up and coming firms;
5. Explore opportunities to deliver business services around Eskom subsidies, in addition to DTI rebates;
6. Develop an energy solution for manufacturers that combines all of Sasfin's expertise and strengths.

Under this activity, FSP will help NBFi partners as well as many of the second tier FIs consider the inclusion of needed sector based products to help them increase their lending and impact in the SME finance marketplace. The program will share POF and EE financing product design, risk models and advise the FIs on best ways to incorporate into their current product offerings as well as access the cash flow based incentives across the market in EE finance. FSP will also link these FIs to ESCOs, Measurement & Verification (M&V) experts and other market players such as Eskom and the Department of Energy. Eskom and the DoE have introduced robust incentives to the EE market and we will assist our partner institutions in accessing these incentives as part of their product design. A good understanding of the existing rebates for energy efficiency offered by Eskom is necessary to provide a complete energy solution to clients.

The benefits of working in the energy sector can be seen in the below chart which shows that becoming more energy efficient leads to more emission reduction than all other forms of energy. The need to focus on utilizing the energy consumed more efficiently clearly has the most impact and is the most cost effective method of reducing consumption.



Sector contributions towards emission reductions to stabilize the atmosphere at CO₂ levels of 450 ppm.

As part of the strategy, FSP will also work with several government partners such as sefa, the Department of Energy, Excom, SANEDI and others to introduce and assist with uptake of FSP products and services. FSP will also review partner product offerings (Khula guarantee scheme, SME products) and advise on streamlining and modifications as needed. The goal of these efforts is to obtain larger and a sustainable impact from FSP program efforts over the life of the program.

FSP will continue to work with second tier FI partners on existing product modifications, process improvements and marketing strategies to help them increase their lending in the SME sector. There may also be opportunities for USAID to utilize FSP designed tools for regional capacity building efforts across sub Saharan Africa. For example, Grofin has regional exposure and would like to use the methodology and training materials developed by FSP to increase the efficiency of their branches across SSA. USAID could utilize the FSP tools to enhance the ability of institutions like Grofin to support their regional economic growth strategy.

FSP will also develop relationships with NBFIs that will be funded under the newly approved SME Debt Fund. Once partner Cadiz Asset Management approves funding for an NBFi, the program will work directly with Cadiz in identifying capacity building needs, if any, of the NBFi in the portfolio.

The result of this continued focus on sustainability and institutionalization of tools and products will lead to increased access to finance for small businesses and a viable exit strategy for the work being done by FSP.

KRA 1.2 Financial sector professional knowledge, skills and/or practices enhanced to deliver SME financial services

KRA Strategy:

Development and launch of new products and SME lending approaches will not succeed if the human capital underpinning those innovations are not sound. FSP's strategy for the capacity building component will be to work with partner financial institutions on institutionalizing SME due diligence and portfolio management tools to ensure the sustainability of FSP developed products and services. Support for mature products that have been introduced to several institutions by FSP will be where the team focuses its efforts. Working with partner banks (Absa, Standard, Sasfin), FSP will continue its efforts in helping to reinforce the methodology that has been introduced around POF and the DCA training. The capacity building will be focused on training materials, template tools/products and client marketing advice that FSP can support partner FIs and loan officers with expansion and utilization of these products and tools. FSP will also engage with second tier partner financial institutions in advising them on delivery aspects of sector specific interventions such as energy, Agri and socially responsible investing (SRI).

1.2.1 Improve capacity of loan officers and management to expand the use of SME

products. FSP will support partners Absa Bank, Standard Bank, Sasfin Bank and Cadiz with the continued knowledge and skills expansion needed to increase their SME/NBFI book. Partner Absa Bank is planning on completing the training of 600 loan officers utilizing the FSP designed train-the-trainer materials. Once this is completed, FSP expects to see considerable product knowledge upgraded leading to increased lending in DCA and POF products. FSP will work with Standard Bank in additional capacity building for the credit risk staff and will also be training front line staff on the benefits and complexities of POF.

Sasfin is working with FSP to design an EE strategy and EE product design and product solution. As part of this work, capacity building and training will take place with senior management and back office staff. Lastly, FSP will work with Cadiz on the continued testing and modification of the credit rating system that was designed with FSP support. This includes training and capacity building with senior investment officers at Cadiz.

FSP will explore opportunities to support sefa after their recent merger between the South African Micro-Finance Apex Fund (samaf) and Khula and becoming a subsidiary of the Industrial Development Corporation (IDC).



The sefa mandate

1. Foster the development of SMMEs and co-operatives
2. Job creation
3. Entrepreneurial drive
4. Priority areas (rural and semi-rural)
5. Post investment mentorship support – only to financed SMMEs
6. Capacity building support to financing intermediaries
7. Equitable balance between financial sustainability and developmental impact

Given the synergy possibilities with sefa, FSP will host a strategic workshop to identify opportunities for collaboration.

sefa, which has a national footprint, was created to provide finance and related services (business support and properties) to the SME sector. They operate with a flexible approach and their 'cash flow based' lending facilities are often tailored in accordance with the applicant's requirements and affordability (deferment; interest rates; etc.). FSP will assist sefa with their mandate of providing finance to small businesses and job creation. Areas of potential cooperation will be in product development, training of loan officers and other field staff, guarantees and capacity building. FSP will also deliver template training materials and product templates and advise the management team on strategy to expand their SME lending. The work will begin with a working group strategy session between FSP and sefa in early FY13.

The program will also review opportunities to enhance credit skills of second tier FI partners so that they can continue to create better access to finance for those SME's that are not being serviced by the larger banks in the market.

Lastly, FSP will continue to assist the current NBFI partners with training and capacity building needs to further their SME lending. The program will also be working with the new funding partner NBFIs under the SME Debt Fund to assess their needs for capacity building to increase SME lending and utilization of the DCA guarantee.

KRA: 1.3: Use of loan guarantees/special funds programs expanded

KRA Strategy:

Given the propensity of mainstream banks to shy away from risk, obtaining financing for the average small business is challenging at best and near impossible at worse. Although the program has seen increased interest in the funding of small businesses, progress has been slow. FSP continues to explore alternative delivery channels and methods of increasing the amount of financing going down-market. As part of these efforts, FSP promotes the use of USAID Development Credit Authority (DCA) guarantee schemes to provide partial credit guarantees to stimulate lending activities. Given the development impact potential of the DCA guarantee, FSP will continue to provide a vital role with FSP FI partners in encouraging and promoting the utilization of current DCA clients. The chart below reflects the potential development impact with maximum utilization of the signed DCA guarantees.

DCA Portable Guarantee Partner	Maximum Cumulative Disbursements	# of SMEs expected to benefit	Targeted % of BEE SME borrowers	Additionality
True Group	\$20 million	60	65%	Expand new loan product: Mezzanine finance
Spartan	\$50 million	2,000	30%	SMEs acquiring IT equipment helping them to grow
Blue Financial	\$20 million	100	60%	Startup businesses and franchises
Cadiz Asset	\$150 million	300	50%	Accessing institutional investors and NBFI lending

The program is working with the DCA team to focus on sector based approaches where a guarantee or risk mitigant can be used to help FIs move into new and innovative markets. To

that end, FSP will work with partner Cadiz roll out and implement the SME Debt Fund activities by providing assistance to investee NBFIs, by continuing to provide support internally with credit grading and risk tools and also with marketing efforts. The DCA is being used in a very innovative approach by allowing Cadiz to leverage capital market funds to support the needs of SMEs.

FSP will assist other existing holders of DCA guarantees in developing products and tools to be able to better utilize the DCA. The goal of expanding DCA loan guarantee usage has a two-pronged approach: increase lending to SMEs broadly and secondly, utilize a sector approach to encourage banks to move into these markets by providing security to extend credit into these new and sometimes riskier sectors.

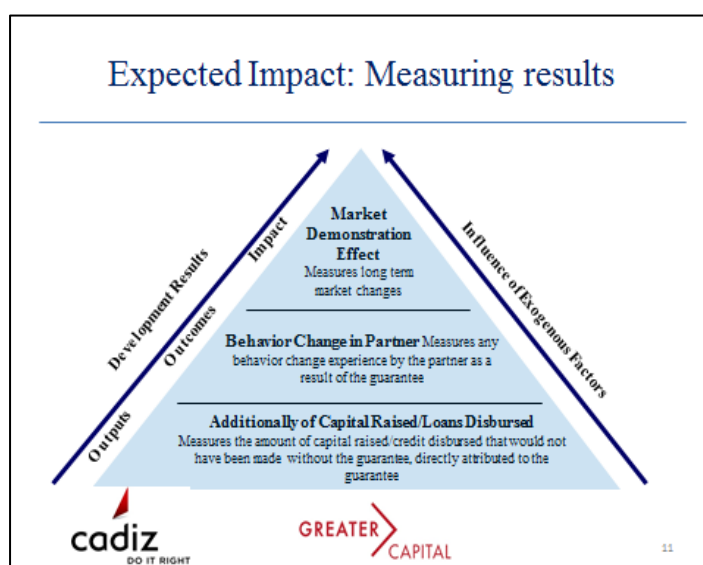
1.3.1 Facilitate utilization of the SME Debt Fund. Banks in South Africa are very conservative in their lending practices in general and even more so when lending into the SME sector. To overcome this barrier, FSP developed an innovative SME Debt Fund that allows asset manager partner Cadiz to raise capital from institutional investors locally and globally based on the DCA guarantee as well as from the security it provides to the capital markets. A variable guarantee scheme is being used to access institutional capital of up to \$150 million to lend down-market to the NBFIs who support the SME sector. The target is to ultimately benefit up to 300 SMEs and create over 20,000 jobs.

Since all DCA guarantees approved have a maturity beyond the scope of FSP, the project will cement the utilization methodologies and M&E systems to allow an efficient transition.

FSP will assist Cadiz as they begin the implementation of the eight year DCA backed fund. FSP will work with all parties to coordinate a launch ceremony which may have the U.S. Ambassador as the key note speaker. Cadiz is also looking to engage with potential funders from the institutional investor community and many of their existing and potential funding partners will also be in attendance for the kickoff to market the fund.

Ultimately leading toward the market development effect shown the right, FSP will work with Cadiz and their partner GreaterCapital on the development of a monitoring and evaluation plan which will report monthly and quarterly on FSP based indicators. The fund will also report on a quarterly basis utilizing the IRIS measurement tools that were in part developed with USAID support.

As part of the on-going efforts to assist Cadiz with their roll out of the SME Debt Fund, FSP designed a new proprietary credit grading system. The credit rating/scoring system is to assess unlisted credit and integrate it into Cadiz's investment process to provide Cadiz and its investors with a consistent and transparent measure of the risk of unlisted credit in its High Impact Development Fund.



The scoring system will also significantly support the ability to further attract funds that Cadiz can responsibly invest in SMEs and NBFIs to create additional jobs. The credit grading system is now being utilized by Cadiz to review their existing portfolio and being used as part of their on-going risk assessment process of new clients for the Debt Fund. FSP will review the effectiveness of the FSP Credit Rating System during the fiscal year to ensure its effectiveness and will make modifications if and when needed to assist Cadiz to have a world class system.

To promote sustainability and utilization under the SME Debt Fund, FSP will explore opportunities to help Cadiz establish a capacity building facility for their investees. Discussions have already taken place with potential funders such as JP Morgan Foundation on building such a fund and FSP will assist Cadiz with the exploration of such a platform. As FSP winds down, this would be an ideal exist strategy which would allow for continued support of the DCA backed fund.

1.3.2 Promote Utilization of existing DCA Guarantee facilities. Since its inception, FSP has been working closely with the DCA team to identify and sign several DCA guarantee facilities. The DCA is a great tool to unlock resources of the private sector and allow lenders to share risk with the U.S. government as they move into new, and in some cases, riskier sectors. The new SME Debt Fund is the sixth guarantee signed with FSP support of which four are active.

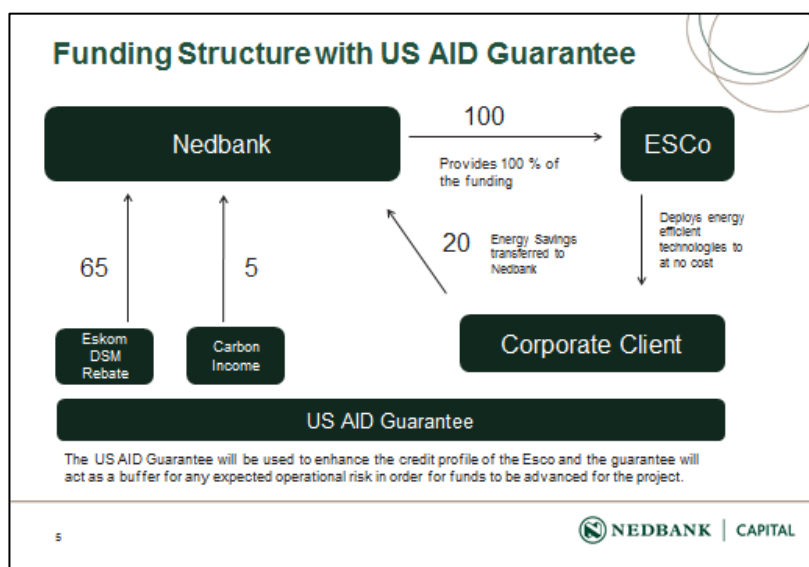
Blue Financial Services signed a \$10 million portfolio guarantee in 2009 and has funded 50 SMEs under the facility. But in late 2010, Blue Financial went through a ‘change in control’ in which Mayibuye Group Ltd acquired the controlling stake in Blue. As was described in documentation sent to FSP, the acquisition was “none other than a rescue of Blue Financial” as the company faced severe financial difficulties and the possibility of liquidation. Since this notification, FSP has been in close cooperation with the new owners to help with their ‘turnaround efforts’ and the review of the DCA loan book. Although there is currently an internal moratorium on lending at Blue, FSP will work with the management of Blue Financial to review and clean the books of loans that were either inaccurately reported, or have indeed already been ‘reworked’ without prior knowledge of the DCA team. As part of the process, FSP will work closely with Blue and the DCA team to assess the modifications or claims that may arise as part of this turnaround strategy. FSP continues to be optimistic that Blue will be ready to begin on lending again under the DCA facility in FY13. As part of this effort, FSP will review the completed strategy presented by Blue management before any new lending is to begin under the DCA guarantee.

As part of FSP efforts to increase access to finance, three portable DCA guarantees were signed to support NBFIs’ efforts to lend to SMEs in their supply chain. Mettle Administrative Services (\$20 million); True Group (\$20 million) and Spartan Technology Rentals (\$25 million) all signed DCA guarantees in 2010. The three companies have continued to struggle in assessing funding from the market and the DCA with Mettle has since expired. Both True Group and Spartan have asked that their portable guarantee be extended for another year to give them an opportunity to continue to try to access finance with the support of the DCA guarantee. FSP continues to work with both of these DCA holders to help them to access financing. As part of the newly formed SME Debt Fund, both True Group and Spartan were referred to partner Cadiz to assess each for the possibility of funding. Each is still in discussion for funding with Cadiz and with other funders in the marketplace.

Absa signed a \$28.6 million portfolio DCA guarantee in September 2011 and FSP has been supporting their roll out with extensive product development, training initiatives and marketing efforts. FSP will continue its efforts with Absa Bank to increase utilization of the DCA guarantee. To date, Absa has funded one loan under the DCA but has indicated that they have several transactions approved and waiting for funding. FSP will continue to work with Absa to explore opportunities in the agricultural, energy sectors and other sectors as part of their DCA offering. The goal is to see up to 100 SMEs funded under the Absa Bank guarantee with over R100 million in funding. FSP will also continue to support the training and strategy work that supports utilization of the DCA.

1.3.3 Identify opportunities for additional DCA guarantees. Given the benefits of the DCA guarantee in helping to mobilize available liquidity in the banking sector and the market demonstration effect the DCA can have in lending into an untapped sector, FSP sees several potential opportunities to expand partnerships for further lending into the SME marketplace.

Nedbank has expressed an interest in exploring working with USAID to help roll out their ambitious energy lending program. Under consideration is a potential \$100 million EE DCA facility diagrammed to the right. FSP will continue the dialogue with Nedbank management on the potential transaction which could lead to over \$200 million of lending into the EE sector. FSP will draft the Action Package and coordinate a DCA due diligence assessment.



Other FSP partner banks have expressed an interest in pursuing EE sector work. The program will continue these discussions with Standard Bank and Absa Bank to ascertain opportunities for a portfolio or performance based DCA guarantee could help with efforts to expand lending into the EE sector. Follow up meetings to pursue these opportunities will take place over the coming months. FSP may be able to assist them with their EE sector lending.

As the EE strategy work progresses with Sasfin Bank, analysis and interviews with internal and external stakeholders, it has been determined that the EE product that is being developed could be supported by a performance based guarantee. Since the project is predicated upon operating savings covering the costs of the installations, savings must be realized. The development of an appropriate performance guarantee mechanism will be one of the most complicated and difficult elements of the product design but could be very beneficial in helping Sasfin move deeper into the sector.

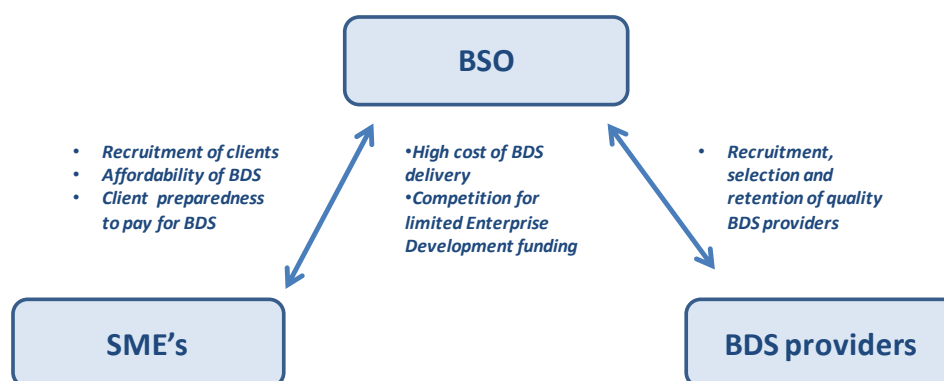
FSP is also in discussions with other potential DCA partners and the program will continue to explore these opportunities. As part of the Business Rescue policy work that FSP has been working on with CIPC/dti, one of the main gaps in a successful business rescue is the lack of capital. The major banks have indicated that they are not ready to bring in bridge financing

once a company goes into Chapter 6. FSP has been in discussions to help with the bridge financing gap with Quasar Capital. The group is proposing a fund (the “Phoenix Fund”) in which the Fund would provide post commencement finance to those companies that are in the business rescue process. There is considerable appetite in the marketplace for post commencement finance and a DCA guarantee would be used as a risk mitigant for the fund but also as a catalyst in the market to encourage the mainstream lenders to enter the post commencement market. Business Rescue would then have more viable options to save businesses from liquidation and more importantly, save the jobs in the companies that are rescued. FSP will also continue to discuss opportunities with Absa Bank, Farmsecure and others to seek opportunities to support the agricultural sector.

B. PIR 2: Bankability of SMEs Enhanced

When applying for credit, SMEs need to understand lender requirements, types of loan products and ensure that they are well positioned to best utilize external credit as well as possess the ability to repay as agreed. Given the lack of business sophistication, particularly of BEE SMEs, many rely on external business development services providers to help them. The market for supply and uptake of BDS depends on a number of factors. On the supply side, Business Support Organizations (BSOs) face a myriad of challenges in meeting SME needs. Amongst these are the scarcity of well qualified providers of BDS and the lack of a universal standard in delivery. Recruitment, selection and retention of quality BDS providers are thus a challenge for BSOs seeking to have real impact in SME growth. Delivering quality and impact however has significant cost implications, both for the BSO and for the would-be user of their services. For BSOs, high delivery costs have led to competition for limited Enterprise Development funding⁵ and an approach to recruitment of SME clients which is highly selective. For the SME, the issue is one of affordability and preparedness to pay for quality services where subsidies do not exist.

The following figure summarizes the challenges of BDS delivery faced by BSOs in general, and Business Incubators in particular.



Constraints for BDS delivery which indirectly impacts uptake of services

FSP’s response to these market challenges is two-fold; the first is to build the capacity of BSOs and BDSPs so that SMEs are offered good quality and affordable BDS to help them access finance and grow their businesses. The second is to equip BDSPs with the tools to

⁵ Government’s statutory requirement of Corporates to donate 3,1% of Net Profit After Tax to SMME development

enhance the financial literacy of SMEs so to enable SMEs to understand the financial products and services available, who provides them as well as the eligibility requirements for finance.

As a market facilitator, FSP's ability to influence the cost and SME uptake of BDS is limited. In response, FSP is designing a draft business plan for a program partner to try to leverage Enterprise Development funding to pay for BDS and provide loan funding.

To ensure the availability of quality BDS, FSP has identified and partnered with two leading SME incubators to help strengthen their service delivery mechanisms. FSP, via its facilitation model, has provided technical support to improve BDSP selection and training as well as enhance the BDS provision and support scale up efforts to increase penetration into the SME market. In this final program year, FSP will monitor the progress of the uptake of technical support provided with regard to improved quality and number of BDSPs, number of SMEs assisted and overall success in access finance.

Identifying a SME financial literacy gap, FSP designed www.finfind.biz (hereafter referred to as **finfind**) an on-line tool to provide BDSPs the knowledge base to assess their SME client finance needs as well as identify the providers of appropriate financial products. The tool has been launched and the ultimate objective is to complete full transfer of ownership to the selected host institution based on achievement of milestones and financial sustainability. As a complement to strengthening BSO service provision to SMEs, FSP will continue to build the platform and networks of BSOs, FIs and SME agencies which support **finfind** with the objective of securing its sustainability in the market, both as a model of BDS delivery which is commercially viable and as the "go to" site for access to SME finance.

PIR 2 Benchmarks

- 20 new BDSPs assisted by BSO partners
- 45 new finfind consultants registered
- 500 SMEs approach finfind consultants for assistance to access finance
- Up-to-date product listings of 30 Financial Institutions (FI's)
- 75 finfind consultants actively engaged
- 100% access to finfind maintained
- A viable business plan for financial sustainability developed
- Launch of new SME fund
- 10 SMEs access finance through the new SME fund

In an effort to pave the way for longevity of BDSP initiatives, FSP will identify BSOs who can benefit from its knowledge and expertise and who have potential to replicate and scale their delivery. In particular, it will explore partner possibilities with complementary programs such as the South African Supplier Diversity Council (SASDC) and SMEasy, and leverage the nascent government programs emerging to meet the business development services needs of SMEs. FSP will sustain its engagement with the South African Government (SAG) at national, provincial and local levels, in order to support Government's initiatives to improve access to finance for SMEs. This will primarily be undertaken through **finfind** and will leverage relationships which have already been formed with various Government institutions, such as the Small Enterprise Finance Agency (sefa) of the Department of Economic Development (DED) responsible for SME financing, and the Small Enterprise Development Agency (SEDA) of the Department of Trade and Industry (the dti) responsible for business support of SMEs. Provincial Governments in the Western Cape and the Cities of Johannesburg and Tshwane in Gauteng province will also be approached.

Two Key Results Areas (KRAs) support PIR 2:

KRA 2.1 – Quality of BDS related to finance improved
KRA 2.2 – SME Financial Literacy Enhanced

Key activities for each of the KRAs are detailed in the following pages. Specific tasks and timing are indicated in **Annex A**, which follows the text.

KRA 2.1 Quality of BDS related to finance improved

KRA Strategy:

In a landscape in which BDS provision is fragmented and where effective delivery channels are limited, FSP has partnered with two market leaders in BDS delivery to develop and institutionalize systems to increase the bankability of SMEs. Both partners, Raizcorp and Aurik, have success growing bankable SMEs based on rigorous selection and quality control of the BDSPs they use, tried and tested business support methodologies, and the type of SME clients they choose to work with.

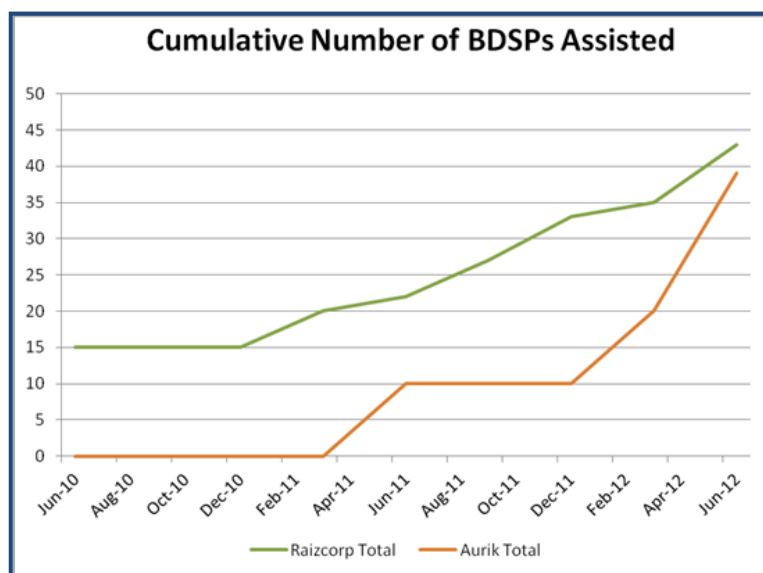
As noted above, most BDS providers are continually seeking external funding to support the high cost of delivery. Additionally, as incubators, their capacity to scale up has been further constrained by their inability to identify and/or retain quality BDSPs, as well as to recruit eligible SMEs who are prepared to pay for services in tougher economic times. FSP has devised and implemented strategies to help overcome these operational hurdles. In its remaining tenure, FSP will consolidate and strengthen its achievements with its partners of improving the quality of finance-related BDS and will monitor and evaluate results in impact.

FSP will pursue relationships with, for example, the South African Supplier Diversity Council (SASDC) to address the potential opportunity to facilitate access to finance for SMEs which SASDC introduces to corporations to take advantage of their preferential procurement policies. Additionally, FSP will continue to contribute to the IBA's Think Tank quality assurance initiative.

FSP will also engage in activities to increase the supply and the quality of BDSPs eligible to use **finfind**. Through regular BDSP engagements, identification and formalization of strategic partnerships and improvement to the content of the tool, FSP will ensure increased usage of **finfind** by BDSPs as well as SMEs.

As a further way of ensuring quality assured BDS provision for SME access to finance, FSP proposes to enhance the commercial market for BDS by increasing the number of BDSPs equipped to use – and charge fees for **finfind**. Building the capacity of **finfind** consultants to be sustainable is one of the ways that FSP will leave a legacy.

Activities:



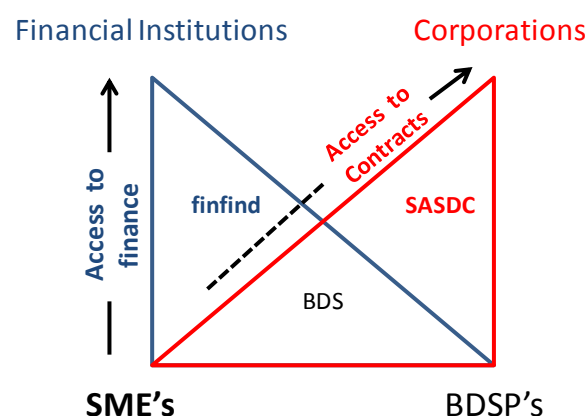
2.1.1: Strengthen BSO / BDSP support for SME access to finance. Having assisted Raizcorp to design a framework of standards, as well as tools for screening, selection, grading, assessing and professionally developing BDSPs, FSP worked this past year with Raizcorp to identify where it could achieve greater efficiencies in its tried and tested recruitment and selection process. In spite of large volumes of applicants interested in becoming BDSPs under Raizcorp, FSP's technical assistance identified significant bottlenecks and areas for operational improvement in their system. Going forward, FSP will review Raizcorp's progress in addressing these hurdles in order to increase the ratio of quality assured Guides (or BDSPs) appointed and retained relative to the number of applicants. This, together with Raizcorp's approach to quality assuring Guides, will contribute significantly to the replication of its approach, not only in South Africa, but in countries north of South Africa's border where Raizcorp has launched additional incubators.

Based on FSP's work with Aurik to increase the number of Facilitators trained in use of the modules developed with FSP assistance, FSP will assess Aurik's performance against scale up targets as originally anticipated and will consolidate the work done to date by continuing to support their efforts to identify alternate delivery channels and opportunities for using the online diagnostic tool to promote finance ready SMEs.

Additionally, FSP will continue to seek opportunities to introduce some of its own FI partners to Aurik and Raizcorp to expand their footprint even further and as a way of introducing quality practice in BDS to FSP partners.

It is anticipated that as Aurik and Raizcorp continue to grow their operations and respond to demand in the market for both BDS and quality assurance of BDSPs, their upward trend of BDSPs assisted will continue, so that by May 2013, 20 new BDSPs will be assisted.


FSP will also pursue a partnership opportunity with SASDC to strengthen its service provision to SMEs. Based on the natural complement that each program offers to the other, FSP will explore the opportunity to facilitate linkages between SASDC and FSP's partners, including the potential to collaborate around **finfind**. FSP will try to link SASDC to **finfind** consultants to assist supply chain based SME clients to access finance in order to fulfill their contracts.



The above figure illustrates how FSP's mandate to improve access to finance, intersects with and complements, SASDC's program to facilitate access to markets through preferential procurement.

With its expertise in finance related BDS and lessons learned over Life of Project, FSP will explore the opportunity to host an event to reflect what has emerged as good practice from the work it has done with its partners as well as from market initiatives. Partners such as the Monitor Group will be included, whose survey will inform its strategy to accelerate entrepreneurship in South Africa. The purpose of this will be to strengthen what BSOs and BDSPs are doing to support SME access to finance. FSP will also look to support the IBA's initiative to develop a framework of accreditation for providers of BDS to financial institutions such as Absa, FNB, Nedbank and Standard Bank.

2.1.2: Increase the supply / quality of finfind consultants. During the past two years, FSP has tested the **finfind** product and subsequently oriented and registered more than 60 BDSPs in the use of the tool. Having piloted and refined its approach to **finfind** orientation, FSP will ensure an adequate supply of qualified **finfind** consultants to meet the SME demand for assistance to access finance.



Rigorous selection instills quality within finfind

To be eligible for selection and registration as **finfind** consultants, the following criteria are used for selection of BDSPs:

- Level and relevance of educational qualification
- Number of years of SME consulting experience
- Track record with assisting SME clients to access finance
- Number of years managing their own business
- Commitment to a code of ethics in facilitating access to finance

The above criteria are weighed and scored against each application. Only those applicants to exceed the minimum threshold will be permitted to join an orientation.

To expand the outreach of **finfind**, FSP will increase the number of new BDSPs orientated in the use of the tool, and will work proactively to manage the relationship with and retain existing, registered, **finfind** consultants.

To date, FSP's partner, Finfind (Pty) Ltd (hereafter referred to as Finfind) has been highly successful at leveraging its relationship with a network of BSO partners in order to identify potential candidates for **finfind**. Going forward, Finfind will finalize a list of strategic partners so that it can continue to recruit new BDSPs for orientation through this channel. In order to acquire new consultants, three orientations will be conducted by May 2013. This will increase the pool of quality **finfind** consultants by at least 45.

Sustaining the supply of quality consultants will depend on several key ingredients:

Stimulating SME demand for finance related BDS via **finfind** will be accomplished through extensive marketing of the tool (see 2.2.1 for details on this activity). As SME traffic is driven to the website, **finfind** consultants will be approached by SMEs for assistance to access finance. Through their orientation, consultants are equipped with specific tools which support their charging fees for service. FSP's collaborative approach during the design and development of the tool confirmed the belief in the commercial value of **finfind**.

However, ongoing use of the tool will depend not only on its ability to increase client pipeline, but also to provide up-to-date information on new products and credit providers. Development of new content will enhance **finfind** consultants' knowledge and understanding of products such as purchase order finance and grant finance. Regular updates of the

directory of financiers (see 2.2.2 for information on this activity) will ensure that they are apprised of new lenders and products in the market.

Quarterly surveys soliciting constructive feedback about their experience and use of the tool and working with SMEs and FIs will enable Finfind to provide more targeted input to improving **finfind** consultant's ability to meet the needs of SMEs. Face to face update sessions will support building of the relationship and partnership between Finfind as the custodian of the tool, and the registered consultants as users of **finfind** as well as to inform further developments required to keep the tool relevant.

Systems will be designed, tested and institutionalized to make sure the expansion of consultants continues after FSP concludes.

KRA 2.2 SME financial literacy enhanced

KRA Strategy:

In order to make the market for SME finance work more effectively, it is essential to create awareness of the financial products and related services available to SMEs. Improvement of SME financial literacy will provide fertile ground for SMEs to make appropriate decisions about whether finance is required by their business or not, the suitable products and active SME lenders.

FSP has undertaken an extensive process to design and build an online system to help informed SMEs access appropriate and affordable financial products. Branded **finfind**, this tool introduces SME seekers of finance and **finfind** consultants, namely BDSPs who have been through a rigorous process of selection and orientation which equips them to offer structured and informed help on a fee for service basis. In addition to this, registered **finfind** consultants have access to a directory of financiers so that they can enhance the financial literacy of their SME clients by providing them with accurate information about financial products and services and referring them to the financial institutions (FI's) who offer these products.

The beginning of last year saw the culmination of a phased development process of **finfind**, depicted in the figure below. It started with the appointment - through a competitive award process - of the Nelson Mandela Bay Consortium (NMBC) to host and champion **finfind** in the market and has seen the implementation of phase 5 and beginnings of phase 6 which incorporated multiple work streams to transfer and launch **finfind** as a sustainable and scalable model.



Having laid the foundation to prepare Finfind (Pty) Ltd, to take ownership of **finfind**, 2012 saw the beginnings of FSP facilitate the transition of **finfind** to enable Finfind to master the ability to maintain and manage the website. The remaining term of FSP will see them roll out and develop **finfind** in such a way as to acquire and retain new and existing users (BDSPs, finance providers and SMEs seeking assistance to access finance) so that by the end of the second quarter of this final program year, the sustainability of **finfind** can be secured and the

ultimate objective of this KRA realized which is to complete full transfer of ownership of **finfind**. The final transfer will be based on milestones achieved throughout the duration of this period.

Historically, SME financiers and business development service providers (BDSPs) have struggled to find an effective way to integrate their services to reduce the risk of lending to SMEs. Aurik Business Incubator identified an opportunity to design a supply chain driven fund which, with large corporate Enterprise Development funding, will provide the necessary credit to enable preferred SME suppliers to access funding on an intermittent basis. Loan advances will correspond with improved business systems and skills and will be commensurate with their finance needs. The core of the system is the successful management and measurement of SME skill enhancement, through Aurik's Accelerator Program, and the ability to effectively and properly utilize credit to increase their business and expand to meet the increased demands of the corporate within whose supply chain they operate. FSP will work with Aurik to test this approach.

Activities:

2.2.1: Increase the number of SMEs seeking access to finance through finfind. The sustainability of **finfind** and uptake of consultant services leading to SME finance depends in large part on the ability of Finfind to drive SME traffic to the website.

This activity therefore focuses on intensifying marketing efforts and initiatives to expand the reach of **finfind** to as many SMEs requiring finance as possible.

FSP will identify relevant online platforms for promoting **finfind** to SME users. These range from placing hyperlinks to www.finfind.biz on the websites of collaborating BSOs, FIs and SME agencies, to promoting **finfind** via the formation of strategic partners. Candidates include the National Small Business Chamber (NSBC) – with its database of almost 50,000 SME members, or SMEasy, the online business and financial management platform which has nationwide appeal to SMEs and provides a perfect complement to what **finfind** is designed to do.

Having already begun to build a network of relationships with public and private sector SME agencies and BSOs, Finfind will, through face to face meetings and supporting correspondence, strengthen the level of cooperation in order to market **finfind** to their SME members.



Ensuring sustainability of finfind

A Concession Agreement was signed with Finfind to commercialize and transfer **finfind** based on achievement of the following benchmarks:

- Development of a roadmap / business plan
- Implementation of selection criteria and orientation program
- Registration of 100 **finfind** consultants
- 36 existing FI's updated on **finfind**
- 20 new FI's added to **finfind** directory
- Transition of website maintenance & reporting to Finfind
- Completion of BETA testing of **finfind**
- 10 new or enhanced modules
- **finfind** launched by March 2012
- Blog transferred to Finfind
- 300 SMEs assisted by **finfind** consultants
- 150 SMEs assisted to access finance
- Revenue streams clearly defined (viz. sources of finance, proposed pricings, communication and first year projections)
- Registration & subscription fees introduced
- One year's operational budget raised

Additionally, corporations will be targeted to disseminate information about **finfind** to the SMEs in their supply chains, who typically require finance to service the contracts they win from these larger buyers.

To increase the number of SMEs seeking access to finance through **finfind**, new channels for communicating the **finfind** message will be sought and undertaken continually. Finfind's marketing plan, which proposes the use, for example, of social media, radio, newspapers, SME events and placement of Google advertisements, as well as Search Engine Optimization (SEO) and distribution of marketing material, will be implemented in anticipation of 500 SMEs approaching **finfind** consultants for assistance to access finance by date of ownership transfer.

Strategic Partners	Collaborating Partners	Third party vendors	Clients	FI's	SME Agencies
Definition	BSOs who refer BDSPs to apply to become finfind consultants	Vendors who offer additional tools for improving SME bankability	Clients seeking tailored finfind orientation for their members	FI's wanting to promote their financial products in the finfind directory	BSOs / Corporates who refer SME members/clients to finfind
Examples	SEDA, IBA, IIB, SAIPA	SMEasy	TEP	banks, niche lenders, Government agencies, debtor financiers, NBFIs	NSBC, FABCOS, Chambers, SEDA, Provincial & local government, Public & private sector incubators, Corporations

2.2.2: Retain and acquire SME financiers for finfind directory. A critical factor in **finfind**'s success and sustainability is the listing of SME financiers in its directory, which is accessible only to **finfind** consultants. Information provided in the directory includes, for example, what financial products are offered to SMEs, what criteria are required per financial product (in terms of annual turnover, sector, or target group) and what is required for the finance application.

Since the initial listing of FIs in the directory, Finfind has implemented an enhanced template for data gathering from FIs as well as introduced a far more efficient methodology for data collection which is easy to track. Many FIs from the original listing have updated their information online, and new FIs have been approached to list for the first time. In this final program year, additional SME credit providers will be researched and identified and included in the directory. Non traditional lenders, such as Cadiz and the Public Investment Corporation (PIC), will be targeted in an effort to leverage their NBFi pipeline.

FSP with Finfind will continue to conduct face to face meetings with potential listers as this has been found to be the most effective way of winning their support and interest in **finfind** as well as identifying complementary ways of cooperating with them. Based on the success of and positive feedback from the sefa hosted FI seminars in the previous year, quarterly provincial seminars will be held with **finfind** consultants. Individual FIs will be invited to present their products, application procedure and credit policy, thereby building consultant relationships.

Alternative ways of linking FIs to **finfind** consultants will be explored, such as with ABSA's Enterprise Development Centres and Procurement Portal as a way of referring SME clients to quality finance related BDS.

Additionally, periodic visits will be made to those FIs who are already listed in the directory and quarterly updates will be sent to listed FIs keeping them up-to-date on **finfind**'s performance.

On a biannual basis, listed FIs will be invited to update their directory entries with new product information, thereby ensuring that the information contained in **finfind** is relevant and accurate.

It is anticipated that by program closure, the directory will contain up-to-date product information for 30 SME financial institutions, thereby enabling **finfind** consultants to generate and facilitate more bankable applications.

2.2.3: Build active community of practice for finfind. One of the ways of ensuring the sustained use, and sustainability, of **finfind** is by building a community of practice which uses the tool as a platform to engage on SME finance related issues. The idea is to enhance the SME, **finfind** consultants and FIs experience of **finfind** by promoting dialogue about accessing finance. The goal is to stimulate repeat use of the site so that users return to it to seek new information, updates, ideas and means of communication.

Based on previous research, Finfind will design and test an interactive component of the website. Possibilities include a blog page or live streaming of SME finance related articles or the use of Facebook. Organizations such as the Meltwater Group (who could be used to source specific information related to SME finance) or No Picket Fence (which provides an online forum for entrepreneurs) are considered potential partners in this exercise. Once launched, and if feasible, the interactive component will be integrated into **finfind**.

Additionally, a strategy will be developed for promoting loyalty and incentives to reuse the tool. The goal will be to recruit 75 **finfind** consultants to actively engage with **finfind** in this way.

2.2.4: Maintain and enhance finfind website. Uninterrupted website accessibility is essential to **finfind**'s success. In order to ensure that 100% access to is maintained, Finfind will maintain the website with regular back-ups and ensure full site functionality and access. Monthly Monitoring and Evaluation (M&E) reports will be produced as a way of tracking patterns and degree of use enabling the host institution to be responsive to market needs. Additionally Finfind will manage the technical aspect of the FI directory and database of **finfind** consultants, and will centralize and streamline all contact information used in **finfind** relationship management.

Specific enhancements have been proposed to the website, including *for example*, introduction of various systems to:

- Screen SMEs approaching **finfind** consultants,
- Confirm and track payment of fees to Finfind and placement of advertisements,
- Develop an advanced sort and filter function for the FI directory, and
- Track the amounts of / source / type of finance raised by SMEs.

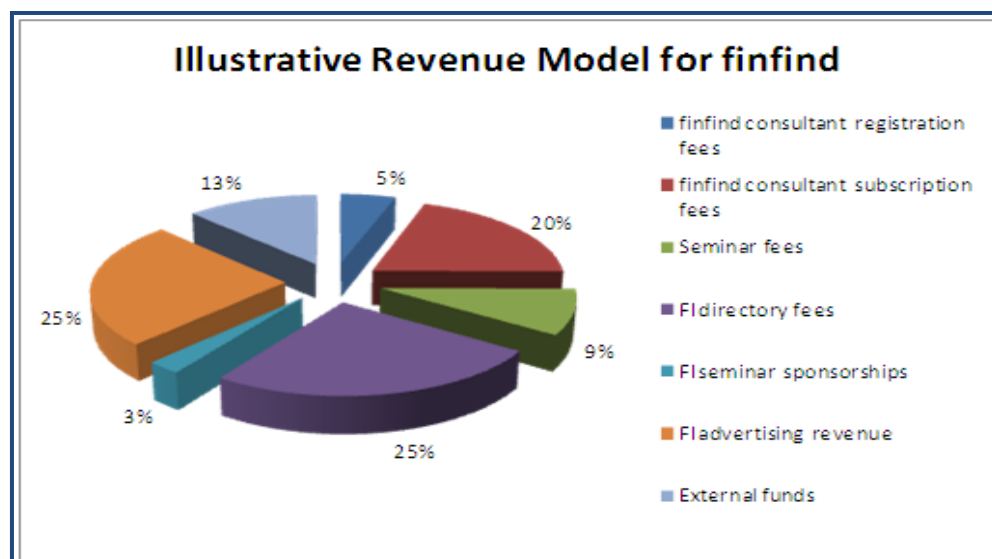
Resource permitting, Finfind will implement their plan to enhance the tool and therefore the experience of the user which will directly contribute to more SMEs being more effectively assisted to access finance.

2.2.5: Promote the financial sustainability of Finfind (Pty) Ltd. FSP will continue to work intensively with Finfind to promote its financial sustainability. This past year has shown that **finfind** is able to generate significant interest from FIs and **finfind** consultants alike. For FIs, the value added by **finfind** is in the potential for increased exposure, bankable deal flow, and reduced transaction costs. For **finfind** consultants, the tool presents a significant opportunity to increase their SME client base and therefore revenue derived from using the tool and charging fees for services rendered.

The challenge remains to:

- Stimulate supply and demand for finance through **finfind**;
- Translate SME demand for assistance into commercial return by charging fees to consultants and FIs;
- Drive consultant assistance to SMEs through **finfind**; and
- Translate initial demand into applications for finance.

BDSPs have already demonstrated their willingness to pay registration fees for orientation, as well as their preparedness to pay subscription fees, and FIs have made explicit their expectation to pay where value is clearly demonstrated. The finfind revenue streams are detailed in the chart below.



From the outset FSP will, with Finfind, review their strategy and feasibility of their fee structure proposed for **finfind** consultant orientations and subscriptions and, for FI directory listings and advertising. Using technical assistance, FSP will devise a dynamic business modeling plan which will enable Finfind to immediately see the impact of any modified assumptions and adjust their fee model accordingly.

In addition to the revenue which will be generated by fees for **finfind** use, a strategy for external financial support will be designed and implemented, which will identify and capitalize on strategic partnerships for sustainability. This will take into account possible sources of finance from donors, the private sector and/or Government, including the Provincial Government of the Western Cape (PGWC) who is particularly interested in formalizing a partnership with Finfind with support from the Small Enterprise Development Agency (seda).

Final transfer of ownership to Finfind will depend on the implementation of a viable approach which leads to its commercialization and sustainability.

KRA 2.2.6: Support implementation of Aurik Loan Fund.

With FSP technical assistance, Aurik has drafted a business plan for the Aurik Loan Fund, structured the legal vehicles required to manage the fund, established its credit policies, including the credit rules and procedures for the fund, defined the process by which SME applicants will be assessed, as well as the disbursement and repayment mechanisms. In this last year of operation, FSP will finalize the business plan as well as support Aurik's identification of a potential corporate whose supply chain of SMEs will benefit from BDS and financing. While several interested corporations have expressed an interest in this fund activity, a formal agreement must be concluded before a pilot is possible.

Assuming a partner agreement is concluded, FSP will assist Aurik to evaluate pilot results and modify the business model as necessary. Once launched, FSP will conduct periodic meetings to review progress and implementation of the Fund.

This initiative will enable an increasing number of SMEs to access finance in a way which matches their business need and which, with incubation support from Aurik, reduces the risk of lending and as such, represents an innovative legacy project for FSP.

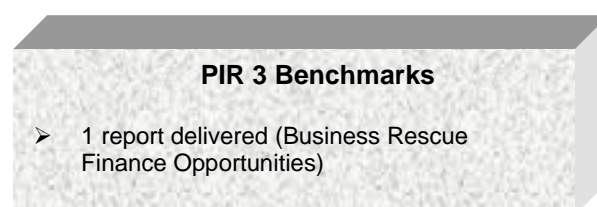
C. PIR 3: Financial Sector (and SME) Development Enabling Environment Improved

To achieve South African government objectives of economic growth, employment creation and transformation, an improved business environment is essential – especially for BEE businesses. An improved business environment also signals to potential investors that South Africa is open for business through empirically sound and globally accepted comparative rankings. The creation of an enabling business environment with an inclusion focus for SMEs, complements the work FSP is undertaking in other components to build a growth platform for SMEs.

In partnership with the Government of South Africa, FSP has addressed a series of key policies, laws and regulations aimed at the business environment generally, carefully tailoring support to ensure that the specific interests of SMEs are clearly articulated and incorporated into all policy work. Through collaborative relationships with government officials and other stakeholders, FSP completed nearly all of its policy initiatives.

During its remaining tenure, FSP will primarily focus on exploring finance opportunities presented under the Chapter 6 business rescue section of the Companies Act. Working collaboratively with the Companies and Intellectual Property Commission (CIPC), FSP will support its mission for the development of a credible cadre of business rescue professionals to best implement the FSP supported Regulations to support businesses in distress.

Two Key Results Areas (KRAs) support PIR 3:



KRA 3.1 – Financial sector legal and institutional framework improved (activities concluded)
 KRA 3.2 – Regulatory environment stimulating (SME) business development enhanced

The key activity for KRA 3.2 is detailed below. Specific tasks and timing are indicated in **Annex A**, which follows the text.

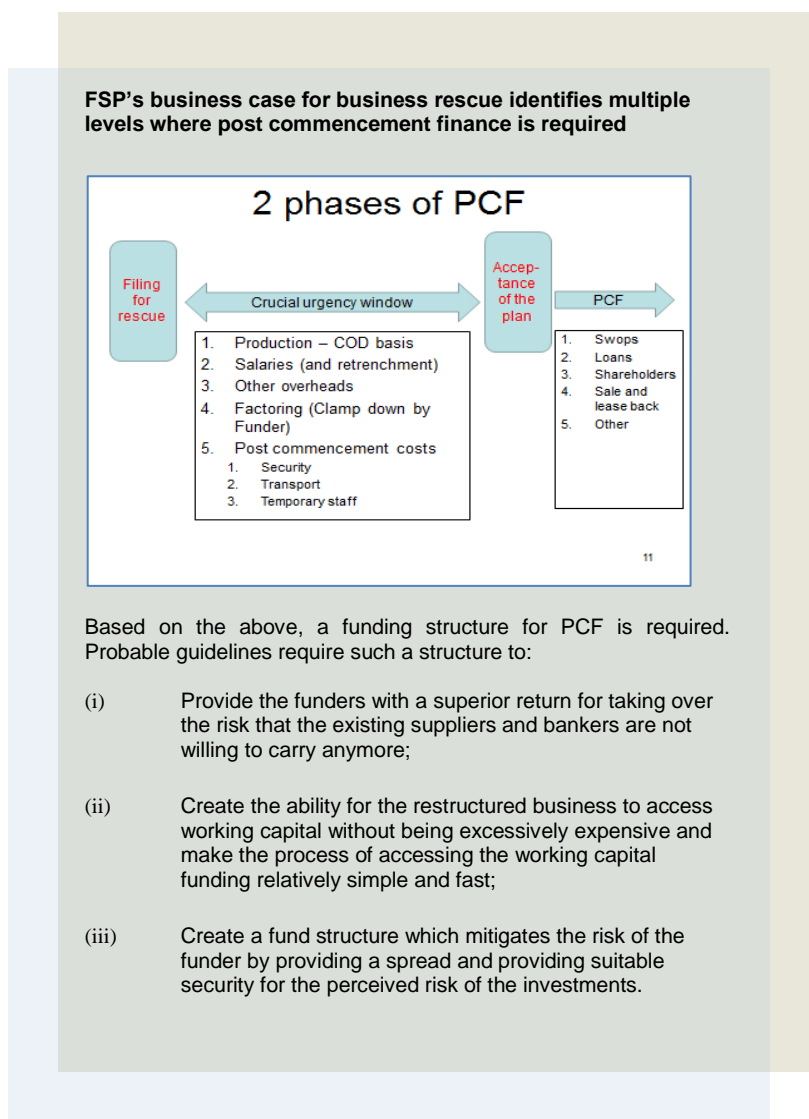
KRA 3.1 Financial sector legal and institutional framework improved (work concluded)

KRA 3.2 Regulatory environment stimulating business (SME) development enhanced

KRA Strategy:

Working via a government champion has been the FSP approach to support government economic growth goals and objectives. The remaining task under this KRA will help to support the formalization of a professional cadre of business rescue professionals under the auspices of CIPC. CIPC was established through the amalgamation of the Office of Companies and Intellectual Property Enforcement (OCIPE) and the Companies and Intellectual Property Registration Office (CIPRO). FSP supported the dti in the development of CIPC's business strategy, plan and fee structure. CIPC is an independent impartial regulator subject only to the Constitution and the law and any policy statement, directive or request issued to it by the Minister of Trade and Industry in terms of the Companies Act (2008). The main functions of CIPC include the following:

- Registration of Companies, Co-operatives and Intellectual Property Rights (trademarks, patents, designs and copyright) and maintenance thereof
- Disclosure of Information on its business registers
- Promotion of education and awareness of Company and Intellectual Property Law
- Promotion of compliance with relevant legislation
- Efficient and effective enforcement of relevant legislation
- Monitoring compliance with and contraventions of financial reporting standards, and making recommendations thereto to Financial Reporting Standards Council (FRSC)



- Licensing of Business rescue practitioners
- Reporting, researching and advising the Minister on matters of national policy relating to company and intellectual property law

The activities under this component will support the “Licensing of business rescue professionals” and support the operationalizing of specific procedures for streamlining business rescue to stabilize the business environment in the face of bankruptcies, including SME failures.

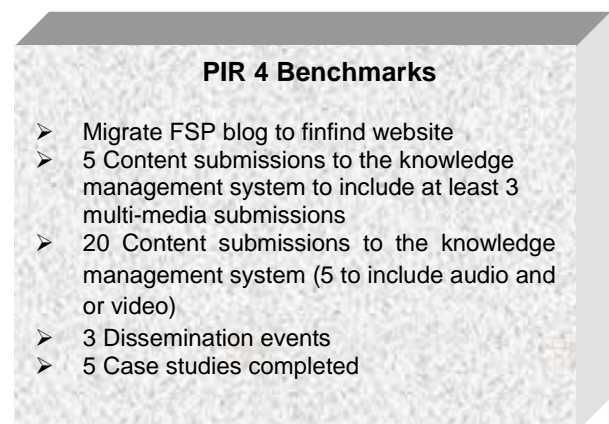
3.2.1 Support dti/CIPC to enhance Business Rescue efforts. The new Business Rescue provisions under the Companies Act (Chapter 6) provide for a new system to be managed by the “Business Rescue Regulatory Board” with authority to establish the standards and regulatory framework for the newly established profession of “Business Rescue Practitioners” (BPRs). CIPC approves BPR applications and in the past, FSP has assisted to develop a framework for the development of a certification accreditation and regulatory framework governing a new profession of business rescue practitioners.

From this collaboration, an opportunity to identify post commencement finance methodologies emerged and FSP undertook a study to prepare a business case identifying obstacles and opportunities for business rescue finance. This study reviewed international experiences and overlaid them with the current South Africa landscape to highlight the provisions and protections that are found in enterprise rehabilitation laws in other countries and are not found in South Africa. These deficiencies make it difficult for companies to access finance and are compounded by the fact that South Africa has no secondary market for distressed debt.

The draft study was presented to CIPC for review and feedback. FSP will join CIPC in a business rescue workshop to present the study to the banking sector and promote interest in distressed business finance. FSP will also work with alternative funding sources to fill this financing gap drawing on the support of a DCA guarantee if appropriate and suitable..

D. PIR 4: SME Knowledge Management System Strengthened

Knowledge management is FSP’s final component. This cross-cutting intervention aims to improve SME finance opportunities, highlight successful approaches to SME development, as well as tools for FIs and BDSPs to use in SME capacity building efforts. Historically, the FSP led Financial Sector Blog (www.fsp.org.za/blog) served as a key medium for the sharing of industry experiences and lessons learned. In this final year, the focus will shift to blog enhancement through the creation of multimedia content to gain wider outreach. FSP has access to information on best practices in SME finance, business enabling environment, innovative support mechanisms and various tools for ensuring the success of the SME sector and will seek to share this through multiple content forms (e.g. audio and visual media). Enhancement of the FSP blog ties into the larger goal of ultimately migrating the FSP blog to the *finfind* (Pty) Ltd website. Additionally, FSP will continue to initiate and organize events,



workshops, forums and symposia and leverage those of partners to promote financial products developed by FSP and to exchange SME development approaches with partners.

Three data sources comprise the knowledge management system: a Visual Basic (VB) dashboard which collects and analyses data, the financial sector blog and the *finfind* website. Each has a part to play in strengthening knowledge management and knowledge dissemination. FSP will seek to maximize information in the VB dashboard when meeting with partners to assess FSP's impact on their work and on SMEs specifically. Further, both the blog and the *finfind* website will continue to gain importance and traction with increased focus on new communications and the transition of the blog. Credit providers and advisors such as FIs, BSOs and BDSPs are the main target audience of the FSP blog to ensure that they are well equipped to support SMEs. The second target audience is the SMEs (ultimate beneficiaries) so that they can be informed consumers of financial services and know the best options to help grow their businesses.

Therefore the FSP Knowledge Management component seeks to:

- Strengthen SME finance related knowledge management,
- Share innovations in financing options and opportunities in fresh, new ways,
- Disseminate stories of impact for SME development in collaboration with private, government and other donor programs, and
- Review, assess and communicate overall project impact, successes and lessons learned to stakeholders.

In this way, the knowledge management component of FSP will address a major constraint in the SME sector, namely, problems in accessing finance and a general lack of coordinated information on the SME finance market. Technical aspects of these difficulties are being addressed by other FSP components and their partners as they develop a more complete range of financial products and services, better preparing SMEs for finance and growth, reducing regulatory rigidities or addressing gaps in the legal framework.

Knowledge management efforts will continue to encourage an exchange of information on these components and other matters related to SME development and finance such as enhancing market awareness of SME financial products and encouraging SMEs to productively access them. However, in this final project year, efforts will concentrate on infusing the blog with fresh, new, multimedia content and case studies to showcase the work of FSP. Engaging content will serve to maintain relevance of the blog, draw a wider audience and improve awareness of SME finance best practices. Revamping the FSP blog will also serve to pilot and test these innovative dissemination options for future incorporation in the *finfind* website. Most importantly, this will serve to ensure the sustainability of the blog as a knowledge resource after project close. It is important for the legacy of the blog to be successfully transitioned and accessible from the *finfind* (Pty) Ltd website. FSP will collaborate with the *finfind* host to ensure the migration of the blog is as seamless as possible.

Lastly, a key push for the knowledge management component will address USAID's focus on Energy Efficiency; Feed the Future and Climate Change by using GIIN/IRIS indicators as a lens to assess FSP's social impact on partners' performance. FSP will work with Cadiz Asset Management/Greater Good and Absa Bank to facilitate the use of appropriate reporting mechanisms.

Two key result areas support PIR 4:

KRA 4.1 – Public-private stakeholder collaboration in SME knowledge management expanded

KRA 4.2 – Improved awareness of SME finance best practices

Key activities for each of the KRAs are detailed in the following pages. Specific tasks and timing are indicated in Annex A, which follows the text.

KRA 4.1 Public-private stakeholder collaboration in SME knowledge management expanded

KRA Strategy:

FSP will leverage formalized, existing partnerships in new ways to create content for the FSP blog and ultimately position the FSP blog to migrate to the *finfind* website, a key FSP collaborating partner. The overall aim is to pilot and test new features in the FSP blog for future integration into the *finfind* website thereby increasing readership and use for long-term success.

Activities:

4.1.1 Position and enhance FSP blog for transition to *finfind* website. FSP will continue to develop blog content and establish hyperlinks to the blog on collaborating partner websites. Efforts to optimize search engine results will include utilization of concept tags and of “track backs” to collaborating partners’ websites to further increase visibility and traffic to the site.



The ultimate goal of this activity is to migrate the FSP blog to the *finfind* website. FSP will work with *finfind* administrators to host the FSP blog in its entirety on the *finfind* website. The FSP blog will be fully accessible from the *finfind* website and will serve as a legacy information resource. FSP will work with *finfind* administration to ensure continuity with the existing FSP blog whether it will be through a link with *finfind* or an automatic rerouting feature to draw current readers to the new website.

After the migration, FSP will provide technical and operational support to the *finfind* (Pty) Ltd interactive site through project close (see KRA 2.2.3).

4.1.2 Leverage collaborative relationships for knowledge dissemination. Interviews with SME industry leaders, partners and input from FSP component leaders will generate content for the blog. The last year of the project however, will focus on leveraging existing partnerships for multimedia content such as sound bytes and video clips. FSP will engage partners in innovative ways to elicit stories and blog content. FSP believes fresh content and multimedia will increase new and recurring visits to the blog. The target is to publish five content submissions to the knowledge management system written collaboratively with our partners with at least three having a multimedia component. Furthermore, by interfacing with

partners FSP will determine the market demand for a leadership series such as “Outside the Box” and work to define the strategy for the introduction of a leadership series for maximum impact.

Additionally, FSP will meet with partners to assess FSP’s overall impact on their work and thus, on SMEs. FSP will reference the Global Impact Investment Network (GIIN)/ Impact Reporting & Investment Standards (IRIS) indicators to investigate the socio-economic and environmental impact of FSP products based on USAID focal areas (Energy Efficiency, Feed the Future; and Climate Change). This is most immediately relevant to Cadiz Asset Management who is actively monitoring, evaluating and reporting to FSP on their progress towards social, environmental and corporate governance areas as they launch the DCA guarantee. FSP will also work with Absa Bank to introduce these social impact reporting procedures as they begin to lend against the DCA. Additionally, FSP will provide feedback on BEE status, gender and locations of SMEs to partners.

KRA 4.2 Improve awareness of SME finance best practices

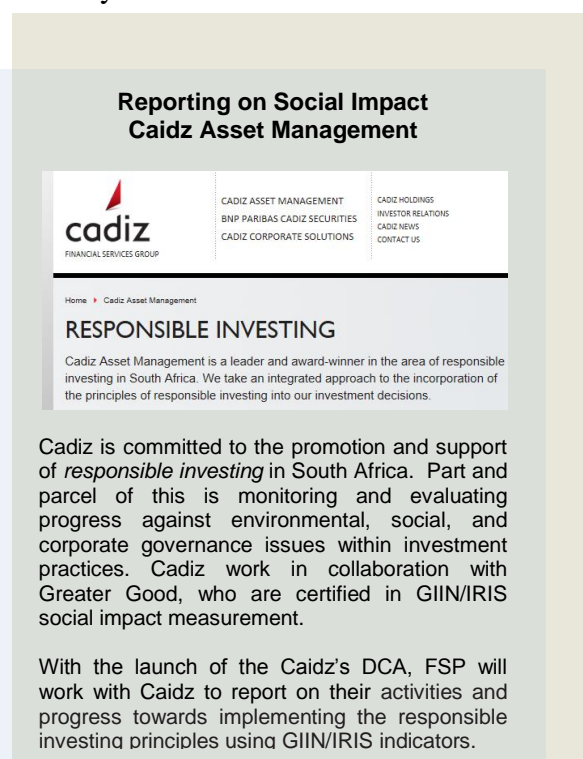
KRA Strategy:

To emphasize and convey the lasting legacy of the products developed by FSP and sector partners FSP will intensify dissemination of best practices and stories of impact. FSP will continue to partner and cohost events to share these stories and it also enhance the existing formats for these stories by introducing multimedia elements/series to the blog and by encouraging partners to collaborate on the creation and dissemination of video versions of success stories. The aim is to leverage partners and relationships to improve awareness of SME finance best practices.

Activity:

4.2.1 Distribution of best practices and stories of impact. FSP will organize various events, workshops, forums and symposia as well as leverage those of partners to promote financial products developed by FSP and to exchange knowledge with partners. The goal is to hold or support at least 3 knowledge dissemination events this project year. Several potential topics have been identified: SME debt fund; energy efficiency finance, purchase order finance, Aurik Loan Fund, invoice clearing, FI seminars with *finfind* consultants as well as several planned BDSP orientations.

The blog will remain the key outlet for the publication of FSP achievements and success stories; however in the forthcoming year FSP will change the style to include multimedia formats. This can entail making *You Tube* clips of success stories for publishing on the blog,



sound bytes, or sound-over slide presentations. This will assist the blog to reach a broader audience that includes SMEs, reinforce the transition to *finfind* and encourage return visits.

FSP will also strive to produce content in journalistic feature writing style and case study formats when communicating multimedia impact stories. FSP will develop a quarterly leadership series such as “Outside the Box” which may feature interviews with high-level individuals within partner firms providing industry insights as well as thoughts on how FSP products support market innovation. To date, FSP has identified dynamic personages at Absa Bank, Sasfin and Nedbank that can be approached for one on one, mixed format interviews. Other opportunities for short interest pieces might include a “10 questions with...” or a “20 minutes with...” segment which may serve to introduce key industry thought leaders. The targets for the KRA include 20 FSP generated content submissions to the knowledge management system with at least five to include a multimedia component.

This activity will culminate in the FSP final close-out report and video.

4.2.1 Collaborate with partners to assess the impact of BDS. FSP plans to collaborate with JP Morgan on their SME Catalyst for Growth Program, in which two BDS providers who are also partners of FSP (Aurik and Raizcorp) are involved in the pilot phase. FSP, together with Dalberg, the program implementers, have found a common space for knowledge sharing. FSP will collaborate with Dalberg to refine their M&E impact assessment which they will use to evaluate BDS partners. FSP proposes to conduct a survey with non-program SMEs (ideally, with SME clients of *finfind* consultants) in October as well as conduct focus group discussions in the March timeframe to elicit rich qualitative data and develop five case studies of SME participants in the SME Catalyst Program. The purpose of the case studies will be to define and document impact. FSP hopes to share case studies findings in JP Morgan’s lessons learned symposium in May 2013.

***finfind* FI seminars – working together to facilitate access to finance for SMEs**



SEFA sponsored the launch of three *finfind* FI seminars in the Eastern Cape, Western Cape and Gauteng during the months of August and September. The seminars featured FIs: sefa, SMEasy and Standard Bank who presented on products they offer to SMEs and reviewed application procedures and credit policies with *finfind* consultants. Moving forward, FSP will continue to collaborate with *finfind* to identify new FIs to lead future knowledge dissemination events.

SECTION III: ACTIVITIES MATRIX – SEE ATTACHED PDF